

**DELIVERED ELECTRONICALLY**

June 2, 2023

Michael Del Trecco  
President & CEO  
Vermont Association of Hospital and Health Systems  
148 Main Street  
Montpelier, Vermont 05602

RE: VAHHS Request for Amendment to the FY 2024 Hospital Budget Guidance

Dear Mr. Del Trecco,

This letter is in response to your letter of May 3, 2023 in which the Vermont Association of Hospital and Health Systems (VAHHS), on behalf of its member hospitals, requested the Green Mountain Care Board (GMCB) reconsider its FY24 hospital budget guidance.<sup>1</sup> The GMCB reviewed and discussed VAHHS's request at public meetings on May 17 and May 31, 2023. Additionally, the GMCB accepted and considered approximately 100 public comments provided both during GMCB meetings and during a special comment period from May 17 until May 30. The GMCB considered and deliberated on VAHHS's request during public meetings on May 17 and May 31. As you are aware, following GMCB discussion and deliberation on May 31, 2023, the GMCB voted unanimously to deny VAHHS's request to amend the FY24 hospital budget guidance, and also voted unanimously to deny VAHHS's request to stipulate to non-enforcement of actual FY24 hospital budgets.<sup>2</sup>

The FY24 hospital budget guidance was adopted in accordance with the GMCB's rules and procedures, taking into consideration comments from VAHHS, hospitals, and other stakeholders, and the GMCB stands by that guidance. Among the comments received and considered by the GMCB prior to voting on the FY24 hospital budget guidance was a written comment from VAHHS that included the same substantive point regarding systemwide NPR impact under the

---

<sup>1</sup>Available at:

<https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter%20on%20FY24%20Hospital%20Budget%20Guidance%20Reconsideration%205%203%202023.pdf>

<sup>2</sup> Staff presentation and analysis is available here:

[https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Reconsideration%20Request%202023\\_05\\_31.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Reconsideration%20Request%202023_05_31.pdf) (May 31, 2023) (GMCB Staff Presentation).



GMCB's established NPR growth benchmark as VAHHS made in its May 3 letter.<sup>3</sup> The two-year 8.6% growth rate first adopted by the GMCB in 2022 as part of the FY23 hospital budget guidance is based on the State's goals for containing health care expenditure growth. The State's All Payer Model Agreement sets the goal of keeping the average increase in cost of care to 3.5% – and no more than 4.3% – per year.<sup>4</sup> There was not sufficient additional or new information presented to warrant a change to the GMCB's FY24 guidance. Notably, VAHHS's request did not propose a specific benchmark, let alone provide any justification for any specific target. Moreover, VAHHS did not address the system-wide impacts of its request or how the proposed relief would further State efforts to ensure an affordable, accessible, and high-quality health system.<sup>5</sup>

The GMCB's FY24 hospital budget guidance sets out a process by which the GMCB will review and establish hospital budgets. The guidance is clear that the NPR growth benchmark is a component of that process but is not solely determinative of the FY24 budgets that will be established by the GMCB. Specifically, the guidance states: "If a hospital's budget exceeds the NPR/FPP growth guidance, the Board will review the specifics and support for that NPR/FPP growth provided by the hospital in its FY24 budget submission using the factors and criteria set out in this guidance."<sup>6</sup>

No hospital's budget has been decided or established by the GMCB at this point. The GMCB has adopted an NPR growth target annually as part of its hospital budget guidance for many years. Looking back at the past six fiscal years, from FY2018 to FY2023, an average of 10 hospitals each year submitted budgets that included NPR growth in excess of the NPR growth benchmark set by the GMCB for that year. During that timeframe, the GMCB approved an average of 9 hospitals per year with NPR growth rates in excess of the GMCB adopted benchmark. Consistent with prior years, the GMCB's NPR target is a component of the budget guidance that the GMCB expects hospitals to work to meet, but is not the only element of the budget review process, and, as stated in the FY24 guidance: "Staff will recommend approval without modification for all hospital budgets that comply with the NPSR benchmark, are based on reasonable assumptions, and meet the administrative filing requirements of the guidance. Hospitals proposing budgets that exceed the benchmark must provide evidence to support the need for additional NPSR, which will be assessed by the GMCB using the factors set out in Section I of this guidance and consistent with the GMCB's statutory obligations. The GMCB

---

<sup>3</sup> See Letter from Michael Del Trecco to GMCB Chair Owen Foster Re: VAHHS Comments on FY 2024 Hospital Budget Guidance Proposal, at 1 (March 28, 2023) (available at [https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter%20FY24%20Hospital%20Budget%20Guidance%203-28-23\\_Final.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/GMCB%20Letter%20FY24%20Hospital%20Budget%20Guidance%203-28-23_Final.pdf))

<sup>4</sup> See Vermont All-Payer Accountable Care Organization Model Agreement, Section 9, available at: <https://gmcboard.vermont.gov/sites/gmcb/files/files/payment-reform/All%20Payer%20Model%20ACO%20Agreement.pdf>.

<sup>5</sup> See 18 VSA §§ 9371, 9375(a) and (b)(7), and 9456(c).

<sup>6</sup> See Green Mountain Care Board FY 2024 Hospital Budget Guidance and Reporting Requirements, 6 (March 31, 2023) (available at:

[https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Guidance%20Updated%202023\\_05\\_08.pdf](https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY24%20Guidance%20Updated%202023_05_08.pdf)); see also GMCB Staff Presentation, Slide 17.



will also review and consider information identified in Section II.”<sup>7</sup> The factors set out in Section I of the guidance are labor expenses, utilization, pharmaceutical expenses, cost inflation, commercial price changes, financial indicators, known pricing changes for Medicare and Medicaid, uncompensated care, and others. Under the guidance, the factors will be used to compare a hospital’s budget with national and regional indicators and indices identified in the guidance.

Please note that the GMCB’s hospital budget guidance, criteria for hospital budget review, and NPR growth benchmark were issued pursuant to 18 V.S.A. § 9456(c) and (e), and GMCB Rule 3.000, §3.202. Neither the GMCB’s consideration of VAHHS’s request nor this letter is a waiver of GMCB’s right to dispute VAHHS’s characterizations of the GMCB’s established benchmarks and hospital budget guidance as a “guidance document” as defined by the Vermont Administrative Procedure Act or of this letter as a final action of the GMCB under 18 V.S.A. § 9381.

Sincerely,

Owen Foster  
Chair, Green Mountain Care Board

cc: GMCB Board Members  
Susan Barrett, GMCB  
Sarah Lindberg, GMCB  
Russ McCracken, GMCB  
Michael Barber, GMCB

---

<sup>7</sup> See Green Mountain Care Board FY 2024 Hospital Budget Guidance and Reporting Requirements, 3.

